

VILLAGE OF SOUTH RANGE
SOUTH RANGE, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <i>South Range</i>	County <i>Monkton</i>
Audit Date <i>2/28/05</i>	Opinion Date <i>4/28/05</i>	Date Accountant Report Submitted to State: <i>6/30/05</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) <i>Bary E. Faudsch, CPA, PC</i>			
Street Address <i>1107 E. 8th Street</i>	City <i>Traverse City</i>	State <i>MI</i>	ZIP <i>49686</i>
Accountant Signature <i>Bary E. Faudsch, CPA</i>			

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INTRODUCTORY SECTION

Village of South Range
List of Elected Officials
February 28, 2005

ELECTED OFFICIALS

Michael Rompf	President
Elvira Detki	Clerk
Marlene Perfetti	Treasurer
Naomi Fish	Trustee
Donald Beck	Trustee
Erich Sporbert	Trustee
Arbutus Paoli	Trustee
Martin Steinmetz	Trustee
Robert Raffaelli	Trustee

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Village Council
Village of South Range
South Range, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of South Range, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of South Range, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Since it was not practical to extend our auditing procedures into the prior unaudited year, we are unable to express an opinion on the consistency of application of accounting principles with the preceding year.

Village of South Range
Independent Auditors' Report
Page Two

In our opinion, except for the omission of the information mentioned in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of South Range, Michigan, as of February 28, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note IV, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended and interpreted, as of February 28, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2005, on our consideration of the Village of South Range, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

Bary E. Landolt, CPA, PC

April 28, 2005

BASIC FINANCIAL STATEMENTS

Village of South Range
Statement of Net Assets
February 28, 2005

	Governmental Activities	Business -Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 354,583	\$ 135,223	\$ 489,806
Receivables, net	26,930	26,887	53,817
Inventory	1,000	5,400	6,400
Restricted cash	37,510	109,755	147,265
Prepaid expenses	10,908		10,908
Due from other funds	469		469
Capital assets (net of accumulated depreciation):			
Land and improvements	83,087	3,262	86,349
Land held for development	51,779		51,779
Buildings and improvements	91,820		91,820
Machinery and equipment	174,825		174,825
Vehicles	43,218		43,218
Park improvements	9,923		9,923
Memorial	25,882		25,882
Sewer system		2,128,563	2,128,563
Water system		424,854	424,854
Total assets	<u>911,934</u>	<u>2,833,944</u>	<u>3,745,878</u>
LIABILITIES			
Accounts payable	7,210	1,791	9,001
Accrued interest		12,812	12,812
Customer deposits		5,760	5,760
Due to other funds	469		469
Noncurrent liabilities:			
Due within one year		20,000	20,000
Due in more than one year		1,005,000	1,005,000
Total liabilities	<u>7,679</u>	<u>1,045,363</u>	<u>1,053,042</u>
NET ASSETS			
Invested in capital assets, net of related debt	391,856	1,531,679	1,923,535
Restricted for:			
Debt service		109,755	109,755
Fire equipment	37,510		37,510
Unrestricted	<u>474,889</u>	<u>147,147</u>	<u>622,036</u>
Total net assets	<u>\$ 904,255</u>	<u>\$1,788,581</u>	<u>\$2,692,836</u>

See notes to financial statements

Village of South Range
Statement of Activities
For the Year Ended February 28, 2005

Functions /Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Legislative General	\$ 20,233	\$	\$	\$
Government	48,410	5,771	547	
Public safety	14,874			
Public works	166,110		9,790	
Parks	5,793			
Unallocated	102,530			
Equipment	<u>116,663</u>	<u>139,676</u>		
Total governmental activities	474,613	145,447	10,337	
Business-type activities:				
Sewer	145,644	114,224	8,195	
Water	59,422	49,071		
Garbage	<u>53,365</u>	<u>43,622</u>		
Total	<u>\$ 733,044</u>	<u>\$352,364</u>	<u>\$ 18,532</u>	<u>\$</u>

General revenues:
Property taxes
State aid
Interest earnings
Rentals
Gain of sale of fixed assets
Miscellaneous

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements.

Net (Expense) Revenue and
Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (20,233)	\$	\$ (20,233)
(42,092)		(42,092)
(14,874)		(14,874)
(156,320)		(156,320)
(5,793)		(5,793)
(102,530)		(102,530)
<u>23,013</u>		<u>23,013</u>
(318,829)		(318,829)
	(23,225)	(23,225)
	(10,351)	(10,351)
	<u>(9,743)</u>	<u>(9,743)</u>
<u>(318,829)</u>	<u>(43,319)</u>	<u>(362,148)</u>
120,433		120,433
172,235		172,235
5,015	6,652	11,667
7,725		7,725
11,583		11,583
<u>4,257</u>		<u>4,257</u>
<u>321,248</u>	<u>6,652</u>	<u>327,900</u>
2,419	(36,667)	(34,248)
<u>901,836</u>	<u>1,825,248</u>	<u>2,727,084</u>
<u>\$ 904,255</u>	<u>\$1,788,581</u>	<u>\$ 2,692,836</u>

Village of South Range
Balance Sheet
Governmental Funds
February 28, 2005

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 130,849	\$ 14,991	\$ 99,744	\$ 245,584
Receivables	26,930			26,930
Restricted cash	37,510			37,510
Prepaid expenses	10,908			10,908
Due from other funds		469		469
Total assets	<u>\$ 206,197</u>	<u>\$ 15,460</u>	<u>\$ 99,744</u>	<u>\$ 321,401</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,169	\$ 65	\$	\$ 4,234
Due to other funds			469	469
Total liabilities	<u>4,169</u>	<u>65</u>	<u>469</u>	<u>4,703</u>
Fund balances:				
Reserved for:				
Fire	37,510			37,510
Unreserved, reported in:				
General fund	164,518			164,518
Major street fund		15,395		15,395
Local street fund			99,275	99,275
Total fund balances	<u>202,028</u>	<u>15,395</u>	<u>99,275</u>	<u>316,698</u>
Total liabilities and fund balances	<u>\$ 206,197</u>	<u>\$ 15,460</u>	<u>\$ 99,744</u>	<u>\$ 321,401</u>

See notes to financial statements

Village of South Range
Reconciliation of the Governmental Funds
Balance Sheet
With the Statement of Net Assets
February 28, 2005

Amounts reported for governmental activities in the
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 316,698
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Capital assets used in governmental
activities are not financial resources
and therefore are not reported as assets
in governmental funds:

Cost of capital assets	414,224
Accumulated depreciation	(157,778)

Internal service funds are used by management
to charge the costs of equipment to
individual funds. The assets and liabilities
of the internal service funds are included
in governmental activities in the
statement of net assets.

331,111

Total Net Assets - Governmental Activities	<u>\$ 904,255</u>
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See notes to financial statements

Village of South Range
Statement of Revenues, Expenditures and Changes
In Fund Balance
Governmental Funds
For the Year Ended February 28, 2005

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes & adm. fees	\$ 97,105	\$	\$ 23,328	\$ 120,433
State aid	90,437	51,940	29,858	172,235
Charges for services	5,771			5,771
Sale of assets	7,477			7,477
Interest earnings	3,194	246	891	4,331
Rents	7,725			7,725
Contributions	547		9,790	10,337
Miscellaneous	4,257			4,257
Total revenues	<u>216,513</u>	<u>52,186</u>	<u>63,867</u>	<u>332,566</u>
EXPENDITURES				
Current:				
Legislative	20,233			20,233
General government	46,419			46,419
Public safety	14,874			14,874
Public works	75,667	39,330	46,598	161,595
Parks	2,486			2,486
Unallocated	102,530			102,530
Total expenditures	<u>262,209</u>	<u>39,330</u>	<u>46,598</u>	<u>348,137</u>
Excess (deficiency) of revenues over (under) expenditures	(45,696)	12,856	17,269	(15,571)
OTHER FINANCING SOURCES (USES)				
Transfers in(out)		(13,578)	13,578	
Net changes in fund balances	(45,696)	(722)	30,847	(15,571)
Fund balances - beginning	<u>247,724</u>	<u>16,117</u>	<u>68,428</u>	<u>332,269</u>
Fund balances - ending	<u>\$ 202,028</u>	<u>\$ 15,395</u>	<u>\$ 99,275</u>	<u>\$ 316,698</u>

See notes to financial statements

Village of South Range
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
To the Statement of Activities
For the Year Ended February 28, 2005

Amounts reported for governmental activities in the
statement of activities are different because:

Total net change in fund balances - total governmental funds	\$(15,571)
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Governmental funds report capital outlays
as expenditures. However, in the statement
of activities the cost of those assets is
allocated over their estimated useful lives
and reported as depreciation expense. This
is the amount by which capital outlays was
less than depreciation in the current period. (9,813)

Internal service funds are used by management
to charge the costs of equipment to
individual funds.

The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>27,803</u>
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Change in net assets of governmental activities	<u>\$ 2,419</u>
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See notes to financial statements

Village of South Range
Statement of Net Assets
Proprietary Funds
February 28, 2005

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Garbage
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 71,124	\$ 47,817	\$ 16,282
Receivables, net	15,139	6,242	5,506
Inventory	400	5,000	
Total current assets	<u>86,663</u>	<u>59,059</u>	<u>21,788</u>
Noncurrent assets:			
Restricted cash and cash equivalents	109,755		
Capital assets:			
Land	3,262		
Buildings			
Machinery & equipment	9,105		
Sewer system	2,801,807		
Water system		619,294	
Less accumulated depreciation	(673,244)	(203,545)	
Total noncurrent assets	<u>2,250,685</u>	<u>415,749</u>	
Total assets	<u>2,337,348</u>	<u>474,808</u>	<u>21,788</u>
LIABILITIES			
Current liabilities:			
Accounts payable	177	1,614	
Accrued interest	12,812		
Customer deposits		5,760	
Bonds payable	<u>20,000</u>		
Total current liabilities	32,989	7,374	
Noncurrent liabilities:			
Bonds payable	<u>1,005,000</u>		
Total liabilities	<u>1,037,989</u>	<u>7,374</u>	
NET ASSETS			
Invested in capital assets, net of related debt	1,115,930	415,749	
Restricted for debt service	109,755		
Unrestricted	<u>73,674</u>	<u>51,685</u>	<u>21,788</u>
Total net assets	<u>\$ 1,299,359</u>	<u>\$ 467,434</u>	<u>\$ 21,788</u>

See notes to financial statements

Business-type
Activities
Enterprise Funds

Governmental
Activities-
Internal
Service
Funds

Totals

\$ 135,223
26,887
5,400
167,510

\$ 108,999

1,000
109,999

109,755

3,262

9,105
2,801,807
619,294

19,284
401,236

(876,789)
2,666,434
2,833,944

(196,432)
224,088
334,087

1,791
12,812
5,760
20,000

2,976

40,363

2,976

1,005,000
1,045,363

2,976

1,531,679
109,755
147,147

128,410

202,701

\$ 1,788,581

\$ 331,111

Village of South Range
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended February 28, 2005

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Garbage
Operating revenues:			
Charges for services	\$ 111,303	\$ 48,142	\$ 43,622
Other services	2,921	929	
Total operating revenues	<u>114,224</u>	<u>49,071</u>	<u>43,622</u>
Operating expenses:			
Depreciation	55,006	10,541	
Equipment rental	6,559	3,282	22,371
Fringes	5,972	3,093	2,936
Insurance	685	449	
Landfill fees			20,606
Meter reader		731	
Office supplies	176	1,347	
Professional services	360	2,739	
Purchase of water		22,161	
Repairs			
Salaries	14,929	7,269	7,435
Supplies	2,379	5,803	
Testing	2,840	678	
Utilities	2,180		
Other expenses	3,058	1,329	17
Total operating expenses	<u>94,144</u>	<u>59,422</u>	<u>53,365</u>
Operating income(loss)	<u>20,080</u>	<u>(10,351)</u>	<u>(9,743)</u>
Nonoperating revenues (expenses):			
Sale of fixed assets			
Reimbursements	8,195		
Investment earnings	5,949	447	256
Interest expense	(51,500)		
Total nonoperating revenue(expenses)	<u>(37,356)</u>	<u>447</u>	<u>256</u>
Change in net assets	(17,276)	(9,904)	(9,487)
Total net assets-beginning	<u>1,316,635</u>	<u>477,338</u>	<u>31,275</u>
Total net assets-ending	<u>\$ 1,299,359</u>	<u>\$ 467,434</u>	<u>\$ 21,788</u>

See notes to financial statements

Business-type
Activities
Enterprise Funds

Governmental
Activities-
Internal
Service
Funds

<u>Totals</u>	
\$ 203,067	\$ 139,676
3,850	
<u>206,917</u>	<u>139,676</u>
65,547	46,146
32,212	
12,001	3,558
1,134	5,946
20,606	
731	
1,523	
3,099	
22,161	
	22,550
29,633	8,920
8,182	22,045
3,518	
2,180	7,498
4,404	
<u>206,931</u>	<u>116,663</u>
(14)	<u>23,013</u>
	4,106
8,195	
6,652	684
(51,500)	
(36,653)	<u>4,790</u>
(36,667)	27,803
<u>1,825,248</u>	<u>303,308</u>
<u>\$ 1,788,581</u>	<u>\$ 331,111</u>

Village of South Range
Statement of Cash Flows
Proprietary Funds
For the Year Ended February 28, 2005

	Business-type Activities - Enterprise Funds		
	<u>Sewer</u>	<u>Water</u>	<u>Garbage</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 117,694	\$ 51,138	\$ 44,149
Payments to suppliers	(18,060)	(36,905)	(42,994)
Payments to employees	(20,901)	(10,362)	(10,371)
Net cash provided (used) by operating activities	<u>78,733</u>	<u>3,871</u>	<u>(9,216)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Reimbursement	<u>8,195</u>		
Net cash provided by noncapital financing activities	<u>8,195</u>		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest expense	(51,750)		
Payment of principal on long-term debt	(20,000)		
Purchases of capital assets			
Proceeds from sale of capital assets			
Net cash (used) by capital and related financing activities	<u>(71,750)</u>		
CASH FLOWS FROM INVESTING ACTIVITIES			
Restricted cash	(73,164)		
Interest received	<u>5,949</u>	<u>447</u>	<u>256</u>
Net cash provided (used) by investing activities	<u>(67,215)</u>	<u>447</u>	<u>256</u>

Business-type
Activities
Enterprise Funds

Governmental
Activities-
Internal
Service
Funds

Totals

\$ 212,981
(97,959)
(41,634)

\$ 139,676
(55,063)
(12,478)

73,388

72,135

8,195

8,195

(51,750)

(20,000)

(23,488)

(28,350)

4,106

(71,750)

(47,732)

(73,164)
6,652

684

(66,512)

684

Village of South Range
Statement of Cash Flows
Proprietary Funds
For the Year Ended February 28, 2005
(Continued)

	Business-type Activities - Enterprise Funds		
	<u>Sewer</u>	<u>Water</u>	<u>Garbage</u>
Net increase (decrease) in cash and cash equivalents	(52,037)	4,318	(8,960)
Cash and cash equivalents, beginning	<u>123,161</u>	<u>43,499</u>	<u>25,242</u>
Cash and cash equivalents, ending	<u>\$ 71,124</u>	<u>\$ 47,817</u>	<u>\$ 16,282</u>

See notes to financial statements

Business-type
Activities
Enterprise Funds

Governmental
Activities-
Internal
Service
Funds

Totals

(56,679)

25,087

191,902

83,912

\$ 135,223

\$ 108,999

Village of South Range
Statement of Cash Flows
Proprietary funds
For the Year Ended February 28, 2005
(Continued)

	Business-type Activities - Enterprise Funds		
	<u>Sewer</u>	<u>Water</u>	<u>Garbage</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income(loss)	\$ 20,080	\$ (10,351)	\$ (9,743)
Adjustments to reconcile operating income to net cash provided(used) by operating activities:			
Depreciation expense	55,006	10,541	
(Increase) decrease in accounts receivable	3,470	1,667	527
Increase (decrease) in accounts payable	177	1,614	
Increase (decrease) in customer deposits		400	
Total adjustments	<u>58,653</u>	<u>14,222</u>	<u>527</u>
Net cash provided (used) by operating activities	<u>\$ 78,733</u>	<u>\$ 3,871</u>	<u>\$ (9,216)</u>

See notes to financial statements

Business-type
Activities
Enterprise Funds

Governmental
Activities-
Internal
Service
Funds

Totals

\$ (14)

\$ 23,013

65,547

46,146

5,664

1,791

2,976

400

73,402

49,122

\$ 73,388

\$ 72,135

Village of South Range
Statement of Fiduciary Funds
Fiduciary Funds
February 28, 2005

	<u>Non- Expendable Trust</u>
ASSETS	
Cash and cash equivalents	\$ <u>33,131</u>
Total assets	<u>33,131</u>
LIABILITIES	
Accounts payable	447
Payroll tax withholdings	<u>3,275</u>
Total liabilities	<u>3,722</u>
NET ASSETS	
Held in trust for other purposes	<u>\$ 29,409</u>

See notes to financial statements.

Village of South Range
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended February 28, 2005

	<u>Non- Expendable Trust</u>
ADDITIONS	
Charges for services	\$ 60,574
Refunds	1,477
Interest earnings	304
Health insurance reimbursements	<u>4,104</u>
Total additions	<u>66,459</u>
DEDUCTIONS	
Social security and medicare taxes	11,215
Health insurance	36,329
Worker's compensation	5,529
Sick pay	62
Vacation pay	4,156
Holiday pay	1,851
Unemployment taxes	178
Miscellaneous	<u>29</u>
Total deductions	<u>59,349</u>
Changes in net assets	7,110
Net assets - beginning	<u>22,299</u>
Net assets - ending	<u><u>\$ 29,409</u></u>

See notes to financial statements

Village of South Range
Notes to the Financial Statements
February 28, 2005

I. Summary of significant accounting policies

The financial statements of the Village of South Range (the Village) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

A. Reporting entity

The Village is governed by an elected nine-member board. The accompanying financial statements present the Village's operations for which the government is considered to be financially accountable. The Village has no component units and is not responsible for any jointly governed organizations.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Village as of the preceding December 31st. Real property taxes not collected as of October 15th are turned over to Houghton County, which advances the Village 100% for the delinquent taxes.

The 2004 taxable valuation of the Village totaled \$8,091,294, on which ad valorem taxes levied consisted of 11.9954 mills for Village operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees of \$1,202 to collect the taxes and applicable interest. Also, the Village has a street millage levy that was voted for by the Village residents of 2.8834 mills.

The Village reports the following major governmental funds:

The *general fund* is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted

for in another fund.

The *special revenue funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes. These funds include the Major and Local Street Funds.

The Village reports the following major proprietary funds:

The *sewer, water, and garbage funds* account for activities of the business-type - Enterprise Fund of the Village. The intent of the Village's Board is that the costs of providing sewer, water, and garbage services to the general public on a continuing basis be financed or recovered primarily through user charges.

Additionally, the government reports the following fund types:

Internal service funds account for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Village's equipment fund is an internal service fund.

The *employee benefit fund* accounts for the activities of the employees payroll taxes and benefits in a trustee capacity or as an agent for employees of the Village or other funds. The measurement focus of Non-Expendable Trust Funds is similar to Proprietary Funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments of equipment charges to the equipment fund, payments to the employee benefit fund and other charges between the government's water, sewer, and garbage function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special

assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise fund, and of the government's internal service fund are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Village to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Village is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds"

(i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on October 15th of the following year, at which time penalties and interest are assessed.

It is the Village's policy to place delinquent sewer, water, and garbage bills on the tax rolls on an annual basis. Delinquent water bill customers also have their service shut off until the bills are paid in full.

3. *Inventories and prepaid items*

Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Restricted assets*

Certain proceeds of the Village's sewer revenue bonds and the general fund, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

The Village has an account at Edward Jones in a certificate of deposit valued at \$37,510 as of February 28, 2005. These monies are reserved in the General Fund for future fire equipment purposes.

The Sewer Fund has a Sewage Disposal System Revenue Bond Ordinance (1992 issue), which sets forth certain requirements which are listed below in order of priority. The Village was in compliance with these requirements as of February 28, 2005.

A. Maintain an "Operations and Maintenance Fund" adequate to administer, operate and maintain, in good repair, the Sewer Supply System.

B. Maintain a "Bond and Interest Redemption Fund" for the payment of bonds and interest. An amount equal to the next requirement of interest and principal should be in the fund at any one time. Usually, the transfers from the receiving fund would be made quarterly. As of February 28, 2005 a balance of \$43,228 is in this account.

C. Establish a "Bond Reserve Account" to be held in reserve in case the "Bond and Interest Redemption Fund" is unable to meet the bond payment. This account is to be funded by transfers annually of \$6,700 until the lesser of \$67,000 or the maximum annual debt service on the bonds is on deposit. As of February 28, 2005, a balance of \$66,527 is in this account.

5. Capital assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the Village is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Vehicles	5-20
Buildings	30
Water system	30-50
Sewer system	30-50
Furniture, fixtures, & equipment	5
Park improvements & memorial	15

6. Compensated absences

The Village maintains a policy providing sick and vacation benefits for its employees and allows a carryover of unused benefits for sick leave only. No more than 70 days may be accumulated, of which one-half will be reimbursed upon termination. As of February 28, 2005 the total accumulated sick leave was \$13,200, or a liability of \$6,600 and accumulated vacation leave of \$5,333. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

8. Fund equity

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Comparative data/reclassifications

Comparative total data for the prior year would have been presented for the individual enterprise and internal service funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds, but the prior year was not audited.

II. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The President submits to the Village Council a proposed budget for the fiscal year commencing on March 1st. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to February 28, the budget is legally adopted by the Village Council as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust

appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.

4. The President is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for the general, major street and local street funds.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to March 1st.

B. Excess of expenditures over appropriations

For the year ended February 28, 2005, expenditures exceeded appropriations in the following activities:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government:			
Clerk	\$ 18,800	\$ 19,517	\$ (717)
Treasurer	4,850	4,899	(49)
Hall & grounds	20,500	21,145	(645)
Public Safety:			
Fire protection	13,380	14,874	(1,494)
Public Works	69,200	75,667	(6,467)
Unallocated:			
Fringe benefits	30,144	34,813	(4,669)
Equipment rental	38,000	61,007	(23,007)
Miscellaneous	1,300	1,314	(14)
Major Street Fund:			
Public Works	26,480	39,330	(12,850)
Local Street Fund:			
Public Works	34,730	46,598	(11,868)

These overexpenditures were funded by available fund balances, respectively.

III. Detailed notes on all funds

A. Deposits and investments

At year-end, the carrying amount of the Village's deposits were \$670,202 and the bank balance was \$677,064, of which \$434,885 was covered by federal depository insurance.

B. Receivables

Receivables as of year end for the government's individual major funds consist of \$26,930 in the general fund. This receivable consists of taxes owed the Village of \$14,026, state revenue sharing of \$10,779, and snow removal charges of \$2,125. The receivables in the enterprise funds consist of accounts receivable from customers of \$26,887.

C. Capital assets

Capital asset activity for the year ended February 28, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land & improvements	\$ 83,087	\$	\$	\$ 83,087
Land held for development	<u>58,779</u>		<u>7,000</u>	<u>51,779</u>
Total capital assets, not being depreciated	<u>141,866</u>		<u>7,000</u>	<u>134,866</u>
Capital assets, being depreciated:				
Buildings & improvements	154,719			154,719
Equipment	339,450			339,450
Vehicles	97,884	28,350		126,234
Park improvements	49,611			49,611
Memorial	<u>29,864</u>			<u>29,864</u>
Total capital assets being depreciated	<u>671,528</u>	<u>28,350</u>		<u>699,878</u>
Less accumulated depreciation for:				
Buildings & improvements	(57,807)	(5,092)		(62,899)
Equipment	(136,343)	(28,282)		(164,625)
Vehicles	(65,729)	(17,287)		(83,016)
Park improvements	(36,381)	(3,307)		(39,688)
Memorial	<u>(1,991)</u>	<u>(1,991)</u>		<u>(3,982)</u>
Total accumulated depreciation	<u>(298,251)</u>	<u>(55,959)</u>		<u>(354,210)</u>
Total capital assets, being depreciated, net	<u>373,277</u>	<u>(27,609)</u>		<u>345,668</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities capital assets, net	<u>\$ 515,143</u>	<u>\$ (27,609)</u>	<u>\$ 7,000</u>	<u>\$ 480,534</u>
Business-type activities (Enterprise Funds)				
Capital assets, not being depreciated:				
Land	<u>\$ 3,262</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3,262</u>
Capital assets, being depreciated:				
Sewer collection system	2,801,807			2,801,807
Water distribution system	619,294			619,294
Equipment	<u>9,105</u>			<u>9,105</u>
Total capital assets, being depreciated	<u>3,430,206</u>			<u>3,430,206</u>
Less accumulated depreciation for:				
Sewer collection system	(618,238)	(55,006)		(673,244)
Water distribution system	(183,899)	(10,541)		(194,440)
Equipment	<u>(9,105)</u>			<u>(9,105)</u>
Total accumulated depreciation	<u>(811,242)</u>	<u>(65,547)</u>		<u>(876,789)</u>
Total capital assets, being depreciated, net	<u>2,618,964</u>	<u>(65,547)</u>		<u>2,553,417</u>
Business-type activities capital assets, net	<u>\$2,622,226</u>	<u>\$ (65,547)</u>	<u>\$</u>	<u>\$2,556,679</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 6,506
Parks	3,307
Internal service fund	<u>46,146</u>
Total depreciation expense- governmental activities	<u>\$ 55,959</u>
Business-type activities:	
Sewer	\$ 55,006
Water	<u>10,541</u>
Total depreciation expense- business-type activities	<u>\$ 65,547</u>

D. Interfund receivables, payables, and transfers

Interfund transfers:

	Transfer In:		
	Major Street Fund	Local Street Fund	Total
Transfer out:			
Major street fund	<u>\$</u>	<u>\$ 13,578</u>	<u>\$ 13,578</u>

The composition of interfund balances as of February 28, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major street	Local street	<u>\$ 469</u>

E. Long-term debt

Note payable

The Village on February 14, 2003 purchased a Loader Mounted Snow Blower for \$70,464. The Village funds were used to purchase the Snow Blower were borrowed from 1st Source Bank. The terms of the agreement were three annual payments of \$23,488.07. The final payment was made during the current fiscal year. There is no interest rate since the payments are lease payments with a purchase price of \$1.00 at the end of the lease period.

Purpose

The equipment fund (internal service fund) purchased the Snow Blower.

Annual debt service requirements to maturity for general obligation bonds are as follows:

The final payment of was made during the current fiscal year as of February 28, 2005.

Revenue bonds

The Village issued bonds on June 17, 1992 to be paid from the revenues of the sewer system. The bonds were issued for the sewage disposal system, a business-type activity. The original amount of the bond was \$1,150,000. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities	5.0%	<u>\$1,025,000</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending February 28,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 20,000	\$ 51,250
2007	20,000	50,250
2008	20,000	49,250
2009	20,000	48,259
2010	25,000	47,250
2011-2015	100,000	217,500
2016-2020	165,000	184,375
2021-2025	205,000	138,125
2026-2030	270,000	78,750
2031-2033	<u>180,000</u>	<u>4,500</u>
Total	<u>\$1,025,000</u>	<u>\$ 869,509</u>

Changes in long-term liabilities

Long-term liability activity for the year ended February 28, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Internal Service Fund:				
Notes payable	<u>\$ 23,488</u>	<u>\$ (23,488)</u>	<u>\$ -0-</u>	<u>\$ N/A</u>

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:				
Bonds payable:				
Revenue				
bonds	<u>\$1,045,000</u>	<u>\$ (20,000)</u>	<u>\$1,025,000</u>	<u>\$ 20,000</u>

F. Segment information

The Village issued revenue bonds on June 17, 1992 to help finance the sewage disposal system. Summary financial information for the sewer department is presented below.

CONDENSED STATEMENT OF NET ASSETS

Assets:	
Current assets	\$ 86,663
Restricted assets	109,755
Capital assets	<u>2,140,930</u>
Total assets	<u>2,337,348</u>
Liabilities:	
Current liabilities	32,989
Bonds payable-noncurrent	<u>1,005,000</u>
Total liabilities	<u>1,037,989</u>
Net assets:	
Invested in capital assets, net of related debt	1,115,930
Restricted	109,755
Unrestricted	<u>73,674</u>
Total net assets	<u>\$ 1,299,359</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Sewer charges (pledged against bonds)	\$ 114,224
Depreciation expense	(55,006)
Other operating expenses	<u>(39,138)</u>
Operating income	20,080
Nonoperating revenues (expenses):	
Investment earnings	5,949
Reimbursements	8,195
Interest expense	<u>(51,500)</u>
Change in net assets	<u>(17,276)</u>
Beginning net assets	<u>1,316,635</u>
Ending net assets	<u>\$ 1,299,359</u>

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by:	
Operating activities	\$ 78,733
Noncapital financing activities	8,195
Capital and related financing activities	(71,750)
Investing activities	(67,215)
Net increase (decrease)	(52,037)
Beginning cash and cash equivalents	123,161
Ending cash and cash equivalents	<u>\$ 71,124</u>

G. Schedule of investment in capital assets

Changes in the investment in capital assets (formerly contributed equity) in the enterprise fund type for the year ended February 28, 2005, consist of the following:

Balance - beginning	\$ 1,545,791
Deduct: Depreciation of assets purchased from contributed equity	(14,112)
Balance - ending	<u>\$ 1,531,679</u>

IV. Other information

A. Risk management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation). The Village was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Village joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The Village pays an annual premium to the pool for its general insurance coverage.

The Village has purchased commercial insurance for all other risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Village is unable to provide an estimate of the amounts of additional assessments.

B. Pension plan

The Village does not provide a pension plan for its employees.

C. Implementation of new accounting standard

As of and for the year ended February 28, 2005, the Village implemented GASB Statement Number 34 - *Basic Financial Statements -and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

Required Supplementary Information

Village of South Range
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended February 28, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Property taxes and related fees	\$ 97,200	\$ 97,200	\$ 97,105	\$ (95)
State aid	81,200	83,700	90,437	6,737
Charges for services	5,000	5,000	5,771	771
Sale of assets	7,500	7,500	7,477	(23)
Interest earnings	4,500	5,600	3,194	(2,406)
Rents	3,000	6,000	7,725	1,725
Contributions & donations	550	550	547	(3)
Miscellaneous	<u>4,300</u>	<u>4,300</u>	<u>4,257</u>	<u>(43)</u>
Total revenues	<u>203,250</u>	<u>209,850</u>	<u>216,513</u>	<u>6,663</u>
EXPENDITURES				
Current:				
Legislative:				
Village council	<u>25,650</u>	<u>23,950</u>	<u>20,233</u>	<u>3,717</u>
General government:				
Elections	800	800	778	22
Clerk	15,800	18,800	19,517	(717)
Board of review	80	80	80	
Treasurer	5,350	4,850	4,899	(49)
Hall & grounds	<u>18,800</u>	<u>20,500</u>	<u>21,145</u>	<u>(645)</u>
Total general government	<u>40,830</u>	<u>45,030</u>	<u>46,419</u>	<u>(1,389)</u>
Public safety:				
Fire protection	<u>14,380</u>	<u>13,380</u>	<u>14,874</u>	<u>(1,494)</u>
Total public safety	<u>14,380</u>	<u>13,380</u>	<u>14,874</u>	<u>(1,494)</u>
Public works:				
Salaries	34,400	50,400	56,355	(5,955)
Safety meetings	2,400	2,400	2,491	(91)
Supplies	8,000	3,500	3,014	486
Safety equipment	500	1,100	1,134	(34)
Street lighting	10,000	10,000	10,919	(919)
Miscellaneous	<u>500</u>	<u>1,800</u>	<u>1,754</u>	<u>46</u>
Total public works	<u>55,800</u>	<u>69,200</u>	<u>75,667</u>	<u>(6,467)</u>

Village of South Range
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended February 28, 2005
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES				
(CONTINUED) :				
Current:				
Culture & recreation:				
Parks	<u>1,950</u>	<u>2,950</u>	<u>2,486</u>	<u>464</u>
Unallocated:				
Fringe benefits	22,144	30,144	34,813	(4,669)
Equipment rental	38,000	38,000	61,007	(23,007)
Insurance	5,000	7,000	5,396	1,604
Miscellaneous	<u>300</u>	<u>1,300</u>	<u>1,314</u>	<u>(14)</u>
Total unallocated	<u>65,444</u>	<u>76,444</u>	<u>102,530</u>	<u>(26,086)</u>
Total expenditures	<u>204,054</u>	<u>230,954</u>	<u>262,209</u>	<u>(31,255)</u>
Net change in fund balances	(804)	(21,104)	(45,696)	(24,592)
Fund balances-beginning	<u>247,724</u>	<u>247,724</u>	<u>247,724</u>	
Fund balances-ending	<u>\$246,920</u>	<u>\$ 226,620</u>	<u>\$202,028</u>	<u>\$(24,592)</u>

See notes to financial statements

Village of South Range
Major Street Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended February 28, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
State aid	\$ 47,000	\$ 42,000	\$ 51,940	\$ 9,940
Interest earnings	500	200	246	46
Other	<u>6,200</u>			
Total revenues	<u>53,700</u>	<u>42,200</u>	<u>52,186</u>	<u>9,986</u>
EXPENDITURES				
Public works:				
Administration	6,300	6,300	7,609	(1,309)
Routine maintenance streets	3,600	2,760	2,573	187
Winter maintenance	21,900	15,100	27,041	(11,941)
Sweeping	1,480	980	952	28
State trunkline maintenance	920	640	351	289
Traffic services	<u>600</u>	<u>700</u>	<u>804</u>	<u>(104)</u>
Total expenditures	<u>34,800</u>	<u>26,480</u>	<u>39,330</u>	<u>(12,850)</u>
Excess (deficiency) of revenues over (under) expenditures	18,900	15,720	12,856	(2,864)
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>6,200</u>	<u>(13,500)</u>	<u>(13,578)</u>	<u>(78)</u>
Net change in fund balances	25,100	2,220	(722)	(2,942)
Fund balances- beginning	<u>16,117</u>	<u>16,117</u>	<u>16,117</u>	
Fund balances- ending	<u>\$ 41,217</u>	<u>\$ 18,337</u>	<u>\$ 15,395</u>	<u>\$ (2,942)</u>

See notes to financial statements

Village of South Range
Local Street Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended February 28, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Property taxes	\$ 23,000	\$ 23,000	\$ 23,328	\$ 328
State aid	17,000	17,000	29,858	12,858
County contributions	8,500	9,800	9,790	(10)
Interest earnings	650	1,100	891	(209)
Total revenues	<u>49,150</u>	<u>50,900</u>	<u>63,867</u>	<u>12,967</u>
EXPENDITURES				
Public works:				
Administration	6,440	6,440	7,296	(856)
Routine maintenance				
streets	4,400	7,600	7,048	552
Winter maintenance	16,050	16,050	27,497	(11,447)
Sweeping	<u>3,400</u>	<u>4,640</u>	<u>4,757</u>	<u>(117)</u>
Total expenditures	<u>30,290</u>	<u>34,730</u>	<u>46,598</u>	<u>(11,868)</u>
Excess (deficiency) of revenues over (under) expenditures	18,860	16,170	17,269	1,099
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>6,200</u>	<u>6,200</u>	<u>13,578</u>	<u>7,378</u>
Net change in fund balances	25,060	22,370	30,847	8,477
Fund balances- beginning	<u>68,428</u>	<u>68,428</u>	<u>68,428</u>	
Fund balances- ending	<u>\$ 93,488</u>	<u>\$ 90,798</u>	<u>\$ 99,275</u>	<u>\$ 8,477</u>

See notes to financial statements

Barry E. Gaudette, CPA, P.C.

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Members of the Village Council
Village of South Range
South Range, Michigan

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of South Range, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the Village of South Range, Michigan's basic financial statements and have issued our report thereon dated April 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of South Range's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
Village of South Range
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of South Range's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Village Council, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Dary E. Tardiff, CPA, PC

April 28, 2005

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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South Range, Michigan

Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The following comments are based on observations made during the course of our examination for the year ended February 28, 2005, and requirements of the Farmers Home Administration USDA's audit guide.

Requirements of Farmers Home Administration USDA's Audit Guide

1. An evaluation was made of the system of internal control. The system of internal control appeared to be adequate.
2. The Village is presently using the State of Michigan uniform chart of accounts.
3. The Village, at present, has adequate physical control over assets. The assets are being recorded as purchased in various funds, thus maintaining accounting control of the assets.
4. The Village appears to be in compliance with loan agreements, including the maintenance of cash reserves.
5. Financial reports included in the audit appear to be in agreement with the Village's accounting records.
6. Cash and cash investments which consist of savings accounts, certificates of deposit and money market accounts are stated at cost. The Village had \$670,202 of cash and cash investments at February 28, 2005 of which \$434,885 was insured.
7. The Village is periodically reviewing the insurance coverage.
8. The Village is exempt from federal income tax.

Village of South Range
Comments and Recommendations
Page Two

9. An aging of the accounts receivable of the water, sewer and garbage funds is as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Garbage</u>
0-30 days	\$ 7,963	\$ 3,528	\$ 3,264
31-60 days	7,176	2,714	2,242
61-90 days			
Total	<u>\$15,139</u>	<u>\$ 6,242</u>	<u>\$ 5,506</u>

This letter supplements the information in the basic financial statements and notes to the financial statements.

It is intended solely for the information and use of management, the Village Council, the Michigan Department of Treasury, Local Government Audit Division, and Farmers Home Administration and is not intended to be and should not be used by anyone other than these specified parties.

Berny E. Staudt, Jr., PC

April 28, 2005